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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In re GEROVA FINANCIAL GROUP, LTD. SECURITIES LITIGATION	No. 11 MD 2275-SAS ECF CASE
RUTLAND BAKER, BRUCE HENRY, ELANORE KRAM, ALI ARAR and XIANHUA XU, Individually and on Behalf of All Others Similarly Situated, Plaintiffs, - against - GEROVA FINANCIAL GROUP, LTD., GARY HIRST, MICHAEL HLAVSA, JOSEPH BIANCO, JACK DOUECK, ARIE VAN ROON, KEITH LASLOP, RICHARD RUDY, STILLWATER CAPITAL PARTNERS, INC., and STILLWATER CAPITAL PARTNERS, LLC, Defendants.	No. 11 Civ. 3081-SAS ECF CASE **JURY TRIAL DEMANDED**

AMENDED CLASS ACTION COMPLAINT

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TABLE OF CONTENTS

NATURE OF THE ACTION 1

JURISDICTION 4

PARTIES 5

A. Plaintiffs 5

B. Defendants 5

SUBSTANTIVE ALLEGATIONS 8

A. Chronology of Gerova From Its Inception Through Revelation of the Fraud 8

1. History of Gerova Through December 2009 8

2. The January 2010 Transactions 9

3. Gerova's Purported Business Model 10

4. Events Subsequent to the January 20 Transactions 12

B. Capitalization, Insider Holdings, and Trading History 15

C. The Amalphis/Allied Provident and Wimbledon Transactions Involved Undisclosed Related Parties 17

1. The Amalphis/Allied Provident Transaction Involved Gerova Insiders 18

2. The Wimbledon Transaction Also Involved Insider Dealing 19

D. Concealment of Stillwater's Distress and Omissions Concerning the Value of Its Assets 21

E. Gerova Transferred Assets to an Entity Controlled by Affiliated Individuals Involved in Prior Investment Frauds 25

F. Gerova's Financial Distress 26

G. The Rapid Resignations of Non-Insiders and Termination of Third-Party Deals 28

MATERIALLY MISLEADING STATEMENTS AND OMISSIONS 31

The January 7, 2011 Proxy Statement 32

The January 2010 Investor Presentation 34

The May 2010 Investor Presentation 34

The June 2, 2010 Form 20-F 36

The June 16, 2010 Form 20-F/A 39

THE FRAUD IS REVEALED 42

CLASS ACTION ALLEGATIONS 43

CLAIMS FOR RELIEF 46

COUNT I 46

For Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder (Against the Gerova Defendants) 46

COUNT II 49

For Violations of Section 20(a) of the Exchange Act (Against the Individual Gerova Defendants) 49

COUNT III 51

For Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder (Against the Stillwater Defendants) 51

COUNT IV 54

For Violations of Section 20(a) of the Exchange Act (Against Defendants Doueck and Rudy) 54

PRAYER FOR RELIEF 55

DEMAND FOR TRIAL BY JURY 56

Exhibits

Excerpts of Proxy Statement, Ex. 99.1 to Form 6-K, filed Jan. 7, 2010 .... A

January 2010 Investor Presentation, Ex. 99.1 to Form 6-K, filed Jan. 7, 2010 .... B

May 2010 Investor Presentation, Ex. 99.2 to Form 6-K, filed May 14, 2010 C

Letter, dated June 1, 2010, from the Securities and Exchange Commission to Counsel for the Stillwater Funds .... D

Neil Weinberg, *NYSE-Listed Gerova Financial Has Close Ties To Westmoore Ponzi Scamsters*, Forbes.com, Jan. 5, 2011 .... E

Keith Dalrymple, *Gerova Financial Group (GFC): An NYSE-listed Shell Game*, Dalrymple Finance LLC, Jan. 10, 2011 .... F

Declaration of Jack Doueck in Opposition to Plaintiffs' Motion for a Preliminary Injunction, filed in *Goldberg v. GEROVA Fin. Group, Ltd.*, No. 1:11 Civ. 7107 (SAS) .... G

Lead Plaintiffs Rutland Baker, Bruce Henry, and Eleanore Kram, and Plaintiffs Ali Arar and Xianhua Xu (collectively, "Plaintiffs"), individually and on behalf of all other persons similarly situated, by their undersigned attorneys, for their Amended Class Action Complaint against the above-named defendants (collectively, "Defendants"), allege the following upon personal knowledge as to themselves and their own acts, and upon information and belief as to all other matters, based on, *inter alia*, the investigation conducted by and through their attorneys, which included, among other things: review of Securities and Exchange Commission ("SEC") filings; media and investigative reports; trading records published by the Bloomberg news service; press releases and other public statements published by GEROVA Financial Group, Ltd. ("Gerova" or the "Company"); and other publicly-available information.

NATURE OF THE ACTION

1. This is a securities fraud class action on behalf of all persons who purchased or otherwise acquired Gerova securities from January 8, 2010 through and including February 23, 2011 (the "Class Period"). This class action is brought under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78j(b) and 78t(a); and SEC Rule 10b-5, 17 C.F.R. § 240.10b-5.

2. On January 7, 2010, Gerova – then a publicly-traded "blank check" company holding $115 million in proceeds from its 2008 initial public offering ("IPO") – announced a series of related stock-based acquisitions that would purportedly transform it into an "international reinsurance company . . . focused on the life and annuity reinsurance markets" with assets exceeding $1.5 billion, and a business model "differentiated" from other insurers through a strategy of "aggregating permanent regulatory capital by exchanging our publicly traded stock for performing unquoted financial assets at discounts to their intrinsic value." Ex. C,

Gerova Form 6-K, filed May 14, 2010, Ex. 99.2 ("May Investor Presentation"), at 5; Ex. B, Gerova Form 6-K, filed Jan. 7, 2010, Ex. 99.1 ("January Investor Presentation"), at 16.

3. In fact, however, the assets Gerova acquired were purchased from a deeply distressed family of asset-based investment funds managed by Stillwater Capital Partners, LLC and Stillwater Capital Partners, Inc. (the "Stillwater Funds" or "Stillwater"), and from a second fund family managed by Wimbledon Financing Master Fund Ltd. and Wimbledon Real Estate Financing Fund Ltd. (the "Wimbledon Funds"), that was secretly controlled by Gerova insiders.

4. Moreover, as part of the January 20 Transactions, Gerova acquired an operating entity, Allied Provident Insurance Company Ltd. ("Allied Provident"), a Barbados-licensed reinsurance company, also from an entity secretly controlled by Gerova insiders.

5. The attorney and advisory fees reported in connection with the January 20 Transactions totaled a staggering $23.5 million – far out of proportion to the size and nature of the transactions. The Company did not disclose the recipients of these fees, or offer any justification for their size.

6. Subsequent to the January 20 Transactions, Gerova engaged in a series of suspicious asset transfers, including the transfer of the real estate assets it acquired from Stillwater to an entity, Net Five Holdings, LLC ("Net Five") that was partially owned by two individuals, Robert Willison ("Willison") and Jason Galanis ("Galanis"). Galanis had a pre-existing relationship with one of Gerova's sponsors, Defendant van Roon and in 2007 the SEC barred him from acting as a director or officer of a public company for five years, as a result of his engaging in accounting fraud and financial reporting violations. According to allegations in a short-seller report, Willison handled investor relations for Westmoore Capital, a Ponzi scheme closed by the SEC in June 2010.

7. While the stock issued by Gerova as currency for the January 20 Transactions was unregistered and therefore could not be traded, the fictitious, inflated value of restricted stock issued for the Stillwater and Wimbledon assets and Allied Provident gave the Company a market capitalization in excess of $1 billion, qualifying it for inclusion in the Russell 3000 Index and enabling the Company to obtain a listing on the New York Stock Exchange ("NYSE").

8. At the same time, the Company's public float increased from the approximately 300,000 shares trading immediately after the January 20 Transactions, to approximately 11.8 million shares. Given the absence of a registration statement or any disclosed public stock sales by the Company during the Class Period, almost the entire public float, now held by members of the Class (as defined below), thus came from sales of shares held, or privately issued by, insiders at inflated prices.

9. Beginning in early January 2011, a series of negative reports by a Forbes columnist, a short seller firm named Dalrymple Finance LLC, and other sources, as well as a series of resignations from the Company prompted a rapid sell-off, driving the Company's share price from $29.00 at the start of January to $5.28 on February 23, when the NYSE halted trading.

10. Reflecting the deeply distressed nature of the Company – despite its purported billion-dollar balance sheet reported just the prior year – Gerova was subjected to eviction proceedings for nonpayment of rent in June 2011; attorneys defending it in a suit by a former executive sought to withdraw in May 2011 on the grounds of non-payment of fees; and a Stillwater principal disclosed in a court filing in June 2011 that "many of the life settlement policies" acquired by Gerova from Stillwater in January 2010 had been lost because "Gerova simply did not have cash available to pay the premiums."

11. On May 9, 2011, the Company announced the "voluntary" delisting of its securities, and on June 15, 2011, announced that it would "go dark" – i.e., terminate the registration of its securities and reporting obligations under the Exchange Act. As of the date of this Amended Complaint, Gerova has not published any financial statements regarding its operations since June 2010.

12. On May 20, 2011, trading for Gerova common stock resumed on the pink sheets, with its shares closing at $1.02 that day. The Company's shares are currently traded over the counter, and their last quoted price, as of October 25, was $0.08 per share.

13. Briefly stated, Gerova was an audacious pump-and-dump market manipulation scheme that relied on secret related-party transactions, undisclosed insider selling, and the use of assets whose distressed nature was concealed to justify inclusion in the Russell 3000 index, driving compulsory buying from index investors, and later, an NYSE listing. The Class is comprised of the victims of this egregious fraud.

JURISDICTION

14. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and SEC Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.

15. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337 and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

16. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and 28 U.S.C. § 1391(b). During the Class Period, Gerova common stock traded on the NYSE Amex Exchange, and beginning on September 8, 2010, the NYSE.

17. In connection with the challenged conduct, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the

United States mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

A. Plaintiffs

18. Lead Plaintiff Rutland Baker, as set forth in his previously filed certification, purchased ordinary shares of Gerova during the Class Period, and was damaged when disclosure of the fraud caused the price of Gerova's shares to decline.

19. Lead Plaintiff Elenore Kram, as set forth in her previously filed certification, purchased ordinary shares of Gerova during the Class Period, and was damaged when disclosure of the fraud caused the price of Gerova's shares to decline.

20. Lead Plaintiff Bruce Henry, as set forth in his previously filed certification, purchased ordinary shares of Gerova during the Class Period, and was damaged when disclosure of the fraud caused the price of Gerova's shares to decline.

21. Plaintiff Ali Arar, as set forth in his previously filed certification, purchased Gerova warrants and ordinary shares during the Class Period, and was damaged when disclosure of the fraud caused the price of Gerova securities to decline.

22. Plaintiff Xianhua Xu, as set forth in his previously filed certification, purchased Gerova warrants during the Class Period, and was damaged when disclosure of the fraud caused the price of Gerova securities to decline.

B. Defendants

23. Defendant Gerova is incorporated in Bermuda as of August 30, 2010. Prior to that date the Company was incorporated in the Cayman Islands. During the Class Period, Gerova's principal executive offices were located in Grand Cayman, Cayman Islands until May 2010, and were subsequently located in Hamilton, Bermuda. From its January 2008 IPO until

January 29, 2010, the Company's publicly-traded ordinary shares, warrants, and units traded on the NYSE Alternext US Exchange (later named the NYSE Amex Exchange) under the ticker symbols CIO, CIO.WS, and CIO.U. In connection with the Company's change of name to Gerova in January 2010, its ticker symbols were changed to GFC, GFC.WS, and GFC.U, and the Company's securities were transferred to the main NYSE in September 2010. Upon delisting after the close of the Class Period, Gerova's securities began trading on the pink sheets under the ticker symbols GVFG, GVFG.WS, and GVFG.U.

24. Defendant Gary T. Hirst ("Hirst") was one of the sponsors who formed the Company and was appointed President of Gerova in October 2007. He was Chairman of the Company's Board of Directors ("Board") from April 13, 2010 until his announced resignation in February 2011. Hirst, along with Defendant Arie Jan van Roon, is a principal of Allius Ltd. ("Allius"), one of the initial sponsors of Gerova, and owns or owned shares of Gerova both directly and through Allius.

25. Defendant Arie Jan van Roon ("van Roon") was a member of the Company's Board from its inception in 2007 until at least February 2011. He was one of the Company's sponsors and owns or owned shares of Gerova both directly and through Allius, Noble Investment Fund Limited, and Ho Capital Management LLC.

26. Defendant Michael Hlavsa ("Hlavsa") was the Company's Chief Financial Officer ("CFO") from inception until at least February 2011.

27. Defendant Joseph J. Bianco ("Bianco") was CEO of Gerova from June 2010 until his resignation in February 2011.

28. Defendant Keith Laslop ("Laslop") was the Company's Chief Operating Officer from June 2010 until at least February 2011, and was a director of the Company from May 2008 until his resignation in February 2011.

29. Defendant Stillwater Capital Partners, Inc. ("Stillwater Inc.") is a New York corporation with its principal place of business in New York. Stillwater Inc. has served as the Investment Manager for the Stillwater Funds since their inception. As the Investment Manager of the funds, Stillwater, Inc. had control and authority over the publication of the $541.25 million valuation of the Funds provided to Gerova at the onset of the Class Period.

30. Defendant Stillwater Capital Partners, LLC ("Stillwater LLC") is a Delaware limited liability company, with its principal place of business in New York. Stillwater LLC has managed the business affairs of the Stillwater Funds since their inception. As the business manager of the funds, Stillwater LLC had control and authority over the publication of the $541.25 million valuation of the Stillwater Funds provided to Gerova at the onset of the Class Period.

31. Defendant Jack Doueck ("Doueck") served as a director of Gerova from January 2010 until at least February 2011. Defendant Doueck was also a principal of Stillwater, and during the Class Period served on a three-person investment committee as part of Stillwater's engagement as investment manager for the Stillwater Funds after their acquisition by Gerova. As a principal of Stillwater, Doueck had control and authority over the publication of the $541.25 million valuation of the Stillwater Funds provided by Stillwater to Gerova at the outset of the Class Period.

32. Defendant Richard Rudy ("Rudy") is a principal of Stillwater. Defendant Rudy sits on a three-person investment committee as part of Stillwater Inc.'s engagement as

investment manager for the Stillwater Funds now under Gerova's control. As a principal of Stillwater, Rudy had control and authority over the publication of the $541.25 million valuation of the Stillwater Funds provided by Stillwater to Gerova at the outset of the Class Period.

33. Gerova and the individuals identified in paragraphs 24-28 and 31 are referred to herein as the "Gerova Defendants." The individuals identified in paragraphs 24-28 and 31 are referred to herein as the "Individual Gerova Defendants."

34. Stillwater Inc., Stillwater LLC, Doueck and Rudy are referred to herein as the "Stillwater Defendants."

SUBSTANTIVE ALLEGATIONS

A. Chronology of Gerova From Its Inception Through Revelation of the Fraud

1. History of Gerova Through December 2009

35. Gerova was formed in March 2007 as a "blank check" company – a company organized for the purpose of acquiring one or more operating businesses to be identified after formation – under the name Asia Special Situation Acquisition Corp. ("ASSAC"). It raised $115 million through its January 2008 IPO, and was also capitalized with $5,725,000, paid by affiliates of its sponsors in exchange for Company warrants. Gerova Form 20-F/A, filed June 16, 2010 ("2009 20-F/A"), at 28. ASSAC's sponsors were Noble Investment Fund Limited and Allius Ltd., entities owned and controlled by Defendants van Roon and Hirst.

36. Under the terms of Gerova's governing documents, it was required to use the IPO proceeds to acquire an operating entity within two years after the IPO, or immediately liquidate. *See* Gerova Form 20-F, filed Apr. 1, 2009, at 9. In November 2009, the latest of several attempted acquisitions failed, creating the prospect of imminent liquidation in late January 2010. Gerova Form 6-K, filed Nov. 12, 2009.

2. **The January 2010 Transactions**

37. Shortly before the end of 2009, however, Gerova entered into discussions to acquire the Stillwater Funds (the "Stillwater Transaction"), a family of hedge funds whose "portfolios consisted of mostly illiquid short and medium term loans and other asset backed obligations for various types of borrowers (consisting of lines of credit to attorneys, real estate investments and life insurance settlement and premium finance loans) and also included participations in loans and loan portfolios of other lenders, undervalued real estate, distressed real estate and real estate sold at foreclosure sales, and a portfolio of hedge funds with diversified investment strategies." 2009 Form 20-F/A, at 67. As Defendant Doueck, one of Stillwater's principals, later stated, the Stillwater Funds faced severe impairment at the time, and he viewed a merger with Gerova as providing a means of liquidity without a forced disposition of assets at a time of severe market dislocation. Ex. G ¶¶ 8, 16.

38. Concurrently with the Stillwater negotiations, Gerova negotiated two other substantial transactions: (1) an 81.5% interest in Amalphis Group Inc. ("Amalphis"), the parent company of Allied Provident Insurance Inc. ("Allied Provident"), a "specialty insurance company" domiciled in Barbados, which it valued at $57,000,000 (collectively, the "Amalphis/Allied Provident Transaction"). Ex. A, Proxy Statement, at iv; 2009 Form 20-F/A, at F-16; and (2) the assets and investments held by the Wimbledon Funds, which were managed by an entity named Weston Capital Asset Management LLC ("Weston"), and valued in the transaction at $114,000,000 (the "Wimbledon Transaction"). *See Id.* at i, 13. *See also* 2009 Form 20-F/A, at 8, F-16.

39. As detailed below, the counterparties in both the Amalphis/Allied Provident and Wimbledon Transactions – Rineon Group, Inc. ("Rineon") and Weston, respectively – were managed by Gerova insiders, and these related-party relationships were not disclosed in the

proxy statement that Gerova issued for the January 20 Transactions (the "January Proxy Statement"), *see* Ex. A, at F-17 through F-19 (purporting to list related party transactions but omitting these matters), or in other public filings by the Company throughout the Class Period.

40. The currency for each of the January 20 Transactions was restricted, preferred stock that the Company anticipated later converting into ordinary shares. Ex. A, January Proxy Statement, at i–iv, 1.

41. The attorney and advisory fees reported in connection with the January 20 Transactions totaled an extraordinary $23.5 million – an amount that bears no relation to the size of the entities or assets involved. The Company did not disclose the recipients of these fees, or proffer any explanation for their unusual size. *See* 2009 Form 20-F/A, at 50, 67, F-16.

42. Under the terms of the Company's governing documents, the January 20 Transactions triggered the original IPO investors' right to demand return of the capital they had invested (at the IPO price); approximately 97.4% of them did so, resulting in the return of $112.4 million of the $115 million raised in the IPO. 2009 Form 20-F/A, at 8. At that point, immediately before the closing of the January 20 Transactions, Gerova's total assets consisted of less than $4 million. *See* 2009 Form 20-F/A, at F-2 (reflecting total assets as of December 31, 2009 of $116,088,000, inclusive of the $115 million IPO proceeds).

3. Gerova's Purported Business Model

43. In its annual report issued June 16, 2010 on Form 20-F/A (at 5), Gerova described itself as:

> an international reinsurance company focused on the life and annuity reinsurance markets, in addition to a niche property and casualty business. Through our insurance subsidiaries, we underwrite annuity and life insurance risks that we believe will produce favorable long-term returns on shareholder equity. The investment portfolio derived from our insurance reserves, or our float, is allocated across traditional fixed income and equity investments, as well as asset classes where we believe we can

> achieve yield enhancement opportunities, including engaging in active investment strategies such as directly making secured loans to middle market companies in select industries underserved by banks. We believe the active origination of secured loans and equity interests as part of our investment strategy is differentiated from many traditional insurance companies' portfolio management approach.

44. Its strategy was further explained in its May Investor Presentation (Ex. C, at 5):

Differentiated and Sustainable Advantage

- GEROVA Financial Group is an international reinsurance company currently focused on the life and annuity reinsurance markets, in addition to niche property and causality business
- We were established in January 2010 explicitly to take advantage of opportunities arising from financial market dislocations, including aggregating permanent regulatory capital by exchanging our publicly traded stock for performing unquoted financial assets at discounts to their intrinsic value
- We successfully executed nine simultaneous acquisitions from three selling parties resulting in our acquisition of consolidated assets of approximately $1.42 billion and approximately $720 million in new equity capital (subject to audit and appraisal adjustments), as well as control of a profitable reinsurance company
- We believe that our business model of acquiring new equity capital by exchanging our stock for unquoted financial assets and utilizing these financial assets as regulatory capital, where permitted, differentiates us from other insurance carriers
- We also believe that this capital structure has the advantage of potentially achieving a superior return on equity arising from the relatively large amount of assets that insurance carriers are permitted to take on balance sheet relative to their equity capital

Hundreds of billions in 'stranded' assets continue to persist on global balance sheets post-crisis during the great credit unwind, and our differentiated business model puts those financial assets back to work without inefficient or damaging liquidation

GEROVA Financial Group, Ltd.

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45. Gerova thus presented itself as holding assets worth nearly $1.5 billion, and as conducting a large-scale, sophisticated, international reinsurance business.

46. These statements followed Gerova's presentation of a pro forma balance sheet and income statement in January 2010 that similarly reflected assets worth $1.524 billion (including cash and equivalents of $104 million) and projected annual 2010 net income of $138 million on revenues of $439 million. Ex. B, at 16.

47. In fact, as discussed below, Gerova concealed the deeply distressed nature of the assets acquired, and appears to have been cash flow insolvent from the closing of the January 20 Transactions.

4. Events Subsequent to the January 20 Transactions

48. In early January 2010, the Company hired Marshall Manley as its Chairman and CEO, and prominently featured him in its public disclosures concerning the January 20 Transactions. *See* Ex. B, at 15; Ex. A, at 2, 22, 87, 176. According to the Company's investor presentation filed January 7, 2010 (the "January Investor Presentation"), "Mr. Manley has had a long and distinguished career in business, including serving as President and CEO of City Investing Co., a Fortune 200, New York Stock Exchange listed conglomerate with 400 subsidiaries . . . ." Ex. B, at 15.

49. Just three months after he was hired, however, on April 8, 2010, Manley resigned.

50. The January Investor Presentation and other materials also prominently featured Mickey Kantor, former United States Secretary of Commerce and a partner at the Mayer Brown law firm. *See* Ex. B, at 15; Ex. A, at 2, 22, 87, 177. After a January 26, 2010 Form 6-K filing citing his appointment as a director "[e]ffective immediately upon the consummation of the January 20 Transactions," Gerova Form 6-K, filed Jan. 26, 2010, however, Kantor's name was quietly dropped, with the Company never disclosing or acknowledging his subsequent departure as a director. (Kantor's silent departure was possible only because Gerova was a foreign issuer and therefore not subject to the disclosure requirements imposed on U.S. issuers.)

51. As detailed below and summarized in Section G below, the departures of Manley and Kantor were the first in a series of quick resignations and deal terminations over the following months by non-insider executives and counterparties.

52. In the months following the January 20 Transactions, the Company's public float consisted only of the 300,000 IPO shares that were not redeemed in January, with a correspondingly small daily trading volume, as further detailed in Section G below. On March 1, 2010, Gerova announced that it had received a delisting notice from the NYSE Amex Exchange, on which its shares then traded, based on its failure to comply with the exchange's minimum shareholder requirement. Gerova Form 6-K, filed Mar. 1, 2010.

53. On April 30, 2010, Gerova issued a proxy statement for a May 12 shareholder meeting, at which shareholders would be asked to vote on resolutions providing for conversion of the preferred shares issued in the January 20 Transactions to ordinary shares. Gerova Form 6-K, filed May 3, 2010. The conversion was approved at the meeting, and the preferred shares issued in connection with the January 20 Transactions were immediately converted into (unregistered) ordinary shares. Gerova Form 6-K, filed May 14, 2010.

54. On May 13, 2010, Gerova issued the May Investor Presentation discussed above. As it explained, the preferred share conversion was intended to "[i]ncrease the aggregate market capitalization of the listed class of GEROVA ordinary shares which may qualify the Company's shares for inclusion in certain indexes and may attract consideration from a broader range of institutional investors and equity analysts." Ex. C.

55. The May Investor Presentation also prominently featured Stuart LR Solomons as Gerova's new Managing Director, listing him first among the three named members of the Company's leadership team. Ex. C, at 16. Solomons had been appointed Managing Director on April 8, 2010, upon the departure of Manley. By the middle of June, however, the Company mentioned in its Form 20-F/A that Solomons had resigned as Managing Director. 2009 Form 20-F/A, at 54.

56. Apparently in anticipation of the preferred stock conversion, the Company's share price increased from $7.42 on May 3 to $15.96 on May 18. Daily volume increased from an average of 3,231 shares/day in April to 25,565 shares/day in May and 167,132 shares/day in June. At its peak, on June 14, the Company's shares closed at $17.25, implying a market capitalization for the Company of $2.3 billion (including restricted shares).

57. On June 25, 2010, the Company announced that it would join the Russell 3000 Index.[1] Share volume spiked to 1,395,687 for the day.

58. As discussed below, however, this trading volume far exceeded the 300,000 shares outstanding as of January 20, and none of the ordinary shares created through conversion of the preferred stock in May were registered or, therefore, available to trade. Accordingly, substantially *all* of the damaged shares in the Class were previously-restricted insider shares or were privately issued by the Company without a registration statement and sold into the market by the recipients.

59. On September 8, 2010, the Company's shares and other securities (warrants and "units" consisting of both shares and warrants) became listed and began trading on the NYSE – the "Big Board" – moving from the smaller NYSE Amex Exchange on which they had previously traded. Gerova Form 6-K, filed Sept. 7, 2010.

60. On December 3, 2010, the Company announced that the registration of the shares issued in connection with the January 20 Transactions would be delayed due to difficulties in obtaining audited net asset values for the Stillwater and Wimbledon Funds. Gerova Form 6-K, filed Dec. 3, 2010.

[1] *See* http://www.prnewswire.com/news-releases/gerova-set-to-join-russell-3000-index-97178689.html.

61. On December 7, 2010, the Company announced plans to merge with Seymour Pierce Holdings Limited, a London-based investment and merchant banking firm, and announced that Keith R. Harris, the former CEO of HSBC Investment Bank PLC, would become Gerova's Chairman and CEO on January 1, 2011. The Company also announced a planned merger with a New York-based institutional broker dealer named Ticonderoga Securities LLC. Gerova Form 6-K, filed Dec. 7, 2010.

B. Capitalization, Insider Holdings, and Trading History

62. Gerova (then known as ASSAC) was initially capitalized with the proceeds of the Company's January 2008 IPO, which raised $115 million from the issuance of 11,500,000 "units" (each comprised of one ordinary share and one warrant), together with $5,725,000 paid by affiliates of Hirst and van Roon to acquire 5,725,000 insider warrants. In addition, 2,500,000 founder shares were issued for nominal consideration. Gerova Form 20-F, filed April 1, 2009, at 64.

63. As noted above, approximately 11.2 million of the IPO shares were redeemed in January 2010, leaving 300,000 IPO shares outstanding.

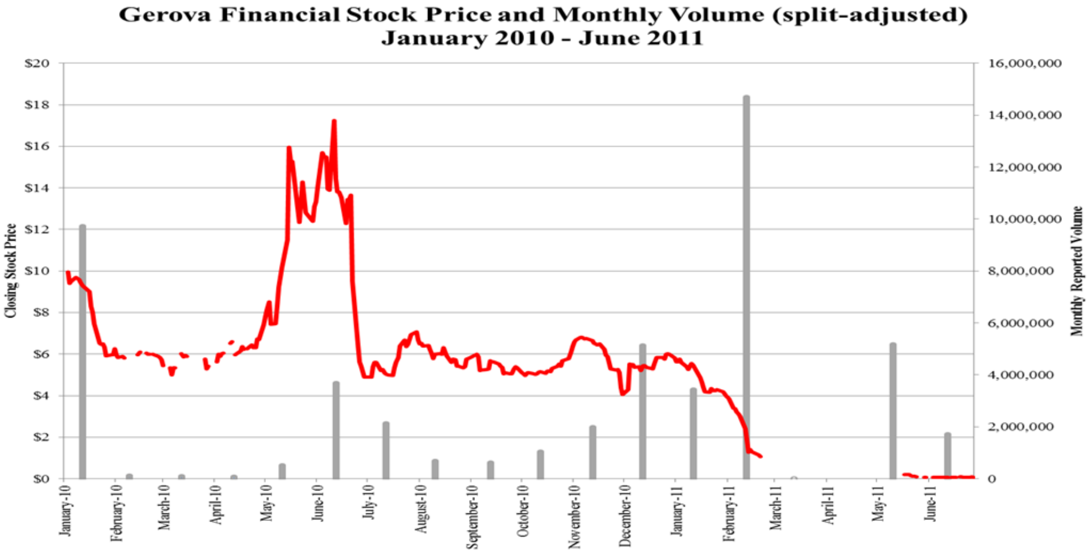
64. In the months after the January 20 Transactions, ordinary share trading volume was very low – averaging just 4,524 shares per day. While the announced conversion of the preferred shares issued in connection with the January 20 Transactions did not increase the number of shares available to trade, volume increased sharply after the share conversion in May, reaching 167,000 shares per day in June and a peak of 1,395,000 shares on June 25 – the day the Company announced its addition to the Russell 3000 index.

65. The trading volume thus far exceeds the plausible volume based on an outstanding float of 300,000 shares. Indeed, a Form 6-K later issued by Gerova in late

November confirmed that an additional approximately 11.5 million shares had entered the market since January 2010. *See* Gerova Form 6-K, filed Nov. 22, 2010.[2]

66. Because the Company made no public offering subsequent to the closing of the January 20 Transactions, however, all such shares had to originate from private stock issuances authorized by Company insiders, or the removal of restrictions on previously-issued insider shares, and substantially *all* of the damaged shares in the Class thus came from these sources. However, no such issuances or removal of restrictions were disclosed to investors.

67. The trading price and volume in Gerova ordinary shares during the Class Period was as follows, on a split-adjusted basis[3]:


Gerova Financial Stock Price and Monthly Volume (split-adjusted)
January 2010 - June 2011
Closing Stock Price
$20
$18
$16
$14
$12
$10
$8
$6
$4
$2
$0
Monthly Reported Volume
16,000,000
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
January-10
February-10
March-10
April-10
May-10
June-10
July-10
August-10
September-10
October-10
November-10
December-10
January-11
February-11
March-11
April-11
May-11
June-11

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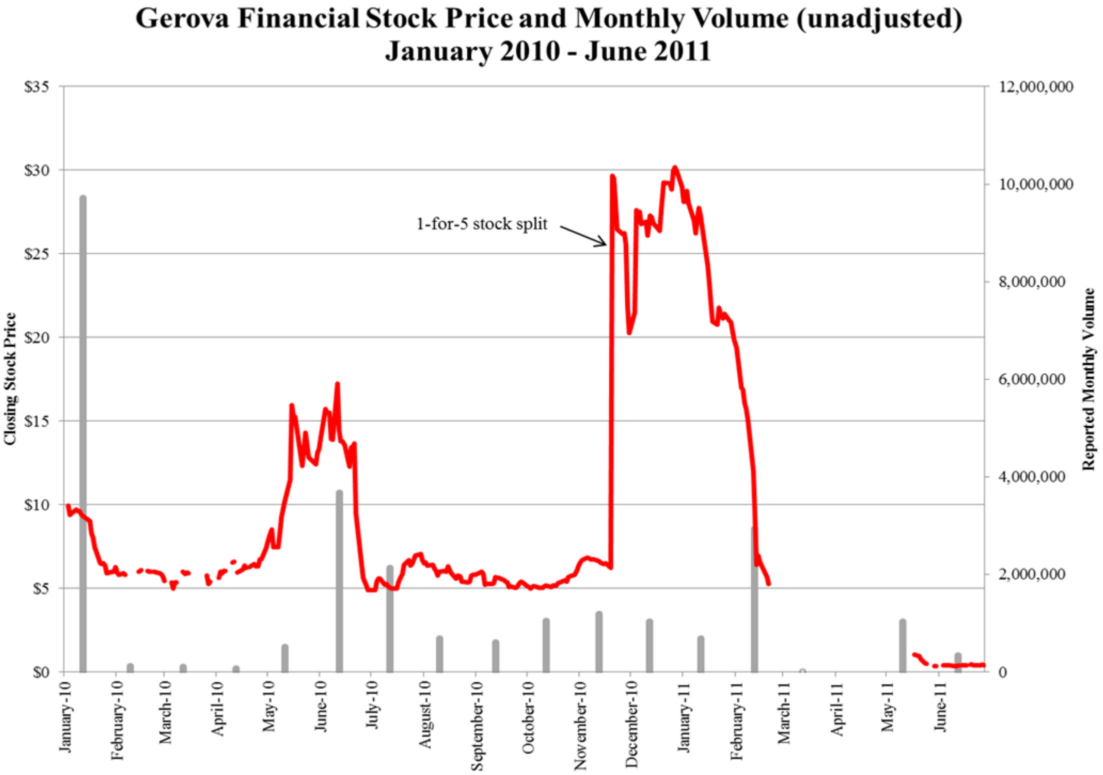
[2] The 11.5 million additional shares were calculated as follows:

Ordinary shares outstanding after redemption or repurchase of IPO shares (including restricted shares issued to insiders)	2,800,000
Ordinary shares issued in payment for certain fees incurred in connection with the January 20 Transactions	1,391,667
Restricted ordinary shares issued through conversion of preferred shares issued in connection with the January 20 Transactions	123,708,334
Total	127,900,001
Stated total (pre-split) ordinary shares outstanding as of November 21, 2011, per Gerova Form 6-K dated November 22, 2011	139,376,650
Unaccounted-for ordinary shares outstanding	11,476,649

[3] Closing prices and transaction volume subsequent to the 1:5 reverse split effected on November 22, 2010 are adjusted to allow presentation on an economically-consistent basis by dividing the reported closing prices and multiplying reported volume by 5.

68. On an as-reported (unadjusted) basis, the trading price and volume in Gerova ordinary shares during the Class Period was as follows:


Gerova Financial Stock Price and Monthly Volume (unadjusted)
January 2010 - June 2011
Closing Stock Price
Reported Monthly Volume
$35
$30
$25
$20
$15
$10
$5
$0
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
1-for-5 stock split
January-10
February-10
March-10
April-10
May-10
June-10
July-10
August-10
September-10
October-10
November-10
December-10
January-11
February-11
March-11
April-11
May-11
June-11

69. Thus, the only plausible explanation for this discrepancy is that Gerova's insiders were dumping shares of stock into an inflated market, without disclosing such sales to investors. As Forbes columnist Neil Weinberg explained in his January 5, 2011 post, "***[t]he story line is that Gerova and dozens of satellite companies are secretly being manipulated as part of a bid to pump up share prices and dump them on unsuspecting investors – many of whom are effectively required to own Gerova because of its inclusion in the Russell 2000 and 3000 value indexes***." Ex. E, at 3.

C. The Amalphis/Allied Provident and Wimbledon Transactions Involved Undisclosed Related Parties

70. The acquisitions of both Allied Provident and the Wimbledon Funds were undisclosed, related-party transactions, tainted by fraud.

1. The Amalphis/Allied Provident Transaction Involved Gerova Insiders

71. With respect to the Amalphis/Allied Provident Acquisition, the Company represented that Amalphis was the parent company of Allied, a "specialty reinsurance company" domiciled in Barbados, valued at $57 million. The Company disclosed that Amalphis was purchased from Rineon, an inactive holding Company.

72. Absent from the Company's Class Period statements, however, was the fact that Gerova director de Waal, and Gerova CFO Hlavsa were two of the five directors of Rineon at the time, and that Hlavsa was thereafter Rineon's "sole director and the Company's Principal Executive Officer and Principal Financial Officer" until late 2010. Rineon Form 10-K, filed May 24, 2010, at 58; Rineon Form 8-K, filed Nov. 8, 2010.

73. In addition, Gerova Chairman and President Hirst controlled Rineon through Intigy Absolute Return Ltd. ("Intigy"), an investment fund managed by Axiat, Inc., of which Hirst was President and CEO. *See* Rineon Form 8-K, filed May 14, 2009, at 4, Ex. 10.2, at 20.

74. According to a Form 8-K filed by Rineon, Intigy's $36 million investment was used by Rineon to acquire Amalphis/Allied Provident from NatProv Holdings Inc. in May 2009. Prior to Intigy's investment in Rineon, Rineon was "an inactive publicly traded Delaware corporation" whose stock traded over the counter. Rineon Form 8-K, filed May 14, 2009, at 4, Ex. 10.2, at 20. Simply put, Hirst and his fellow Gerova insiders had Gerova pay $57 million to a Company he ***controlled for an asset that he had purchased a mere six months before for $36 million***, reaping a $21 million profit for himself and his investors.

75. In addition, the public accounting firm that conducted the valuation of the assets acquired by Gerova through the Amalphis/Allied Provident Transaction was Jewett, Schwartz,

Wolfe & Associates ("Jewett Schwartz"), a six-member CPA firm based in Hollywood, Florida.[4] Hlavsa resides in the neighboring community of Fort Lauderdale, and previously lived in the neighboring community of Hallandale Beach. *See In re Stillwater Capital Partners, Inc. Litigation*, No. 11 Civ. 2737-SAS (S.D.N.Y.), doc. no. 5.

76. The bona fides of the Amalphis/Allied Transaction are further suspect by reason of the failure of any party to assert claims arising from the later failure of Gerova. Strikingly, while numerous Stillwater investors and Class members have stepped forward to seek recovery for their losses, and the undersigned counsel have received more than two dozen separate inquiries from investors in Stillwater and Gerova, *no litigation* has been initiated by Rineon or any other party – despite their receipt of the same, now worthless, restricted stock received by Stillwater investors.

2. The Wimbledon Transaction Also Involved Insider Dealing

77. The Wimbledon Transaction similarly involved a related party transaction, which secretly benefited Gerova's insiders. As noted above, according to the January Proxy Statement, the Wimbledon Funds were "managed by Weston Capital Asset Management LLC, a Delaware limited liability company." Ex. A, at i.

78. Undisclosed in the January Proxy Statement--as well as the Company's other Class Period statements--in November 2009, a publicly-traded company named Fund.com Inc. ("Fund.com") had "entered into a non-binding letter of intent to acquire an equity interest in Weston Capital Management LLC." Fund.com Form 8-K, filed Jan. 26, 2010.[5] Gerova director van Roon, one of Gerova's sponsors, held a controlling interest in Fund.com. According to the

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[4] *See* http://www.jsw-cpa.com/contact.html.

[5] Fund.com later reported that its acquisition of Weston was completed on March 29, 2010. Fund.com Form 8-K, filed July 30, 2010.

Fund.com Form 10-K/A filed November 30, 2009, Equities Media Acquisition Corp Inc. ("Equities Media") held 59.43% of the voting power in Fund.com, and "[t]he name of the party who has the power to vote and share power to dispose of the shares held by Equities Media Acquisition Corp Inc. is Arne van Roon." Fund.com Form 10-K/A, filed Nov. 30, 2009, at 55.

79. In addition, Fund.com's CFO at the time of the transaction was Gerova's CFO, Defendant Hlavsa. Fund.com Form 10-Q, filed May 24, 2010. Moreover, Defendant Bianco, a Gerova Director, served as the Chairman of Fund.com at the time of the acquisition, and Defendant Laslop served as a Director of both companies during the Class Period. Pursuant to the acquisition agreement, Gerova would continue to pay Weston a management fee for its services as the investment manager of the Wimbledon Funds. Thus, Gerova's insiders arranged a transaction whereby Gerova would pay lucrative management fees to an entity they controlled, thereby earning themselves undisclosed profits.

80. Fund.com was a penny-stock company that lost 98% of its market capitalization between mid-2010 and June 2011, when trading was halted. On December 3, 2010, Fund.com announced the restatement of its financial statements for 2007, 2008 and 2009. Fund.com Form 8-K/A, filed Dec. 3, 2010. For 2008 and 2009, Fund.com's auditor was Jewett Schwartz, *see* Fund.com Form 10-K, filed Nov. 30, 2009, which was the same six-member CPA firm that also audited the assets acquired by Gerova in the Amalphis/Allied Provident Transaction and is based in Hollywood, Florida, close to Hlavsa's residence.

81. As with the Amalphis/Allied Transaction, the bona fides of the Wimbledon Transaction are further called into doubt by the failure of Weston or any investor in the Wimbledon Funds to assert claims arising from the later failure of Gerova, despite their receipt of restricted, now-worthless Gerova shares.

D. Concealment of Stillwater's Distress and Omissions Concerning the Value of Its Assets

82. Defendants also deceived Gerova investors by concealing that the Stillwater Funds were deeply distressed at the time they were acquired by Gerova, that the funds were unable to honor redemption requests received by it prior to the acquisition by Gerova, and that the $541.25 million valuation assigned to the Stillwater assets contradicted a substantially lower valuation by Stillwater itself just weeks earlier.

83. In the Company's January Proxy Statement (Ex. A, at 3), Defendants represented to investors that the Stillwater Funds were a collection of Delaware limited partnerships and Cayman Island exempt companies, which:

> finance portfolios of mostly illiquid and privately offered short and medium term loans and other asset backed obligations for various types of borrowers, and participate in loans and loan portfolios of other lenders. There are three Delaware based funds which are primarily engaged in the purchase of undervalued real estate, distressed real estate and real estate sold at foreclosure sales. Lastly, there are two Delaware based and two Cayman Islands based funds (with additional sub-funds) which invest in a portfolio of hedge funds with diversified investment strategies.

84. The $541.25 million valuation for the assets were provided to Gerova by the Stillwater Defendants, and were confirmed by Gerova's Board of Directors prior to the January 20 Acquisition.

85. However, neither the January Proxy Statement nor subsequent Class Period filings disclosed that at the time of the Stillwater Transaction, the Stillwater Funds were deeply distressed and insolvent, and were unable to honor the numerous redemption requests made by its investors.

86. The true financial condition of the Stillwater Funds was revealed only after the Class Period, in court filings by Defendant Doueck.

87. In his declaration dated May 26, 2011, filed in *Goldberg v. GEROVA Fin. Group, Ltd.*, No. 1:11 Civ. 7107 (SAS), Doueck admitted that the Stillwater Funds' investments "became illiquid at the very end of 2008 and, more intensely, in 2009 as a result of the financial crisis, the drying up of lending facilities and the collapse of the real estate and other markets." Ex. G ¶ 8. As Doueck's declaration makes clear, the alternative to the merger with Gerova was liquidation of the Stillwater Funds. *Id.* ¶¶ 15-17. Indeed, the Funds were in such distress, that the funds were unable to honor the tens of millions worth in redemption requests received by their investors. As admitted by Doueck, in 2009 "we found ourselves, like all Fund investors, unable to redeem our investments." *Id.* ¶ 11.

88. Despite the highly material nature of this fact, neither the January Proxy Statement nor other public filings ever disclosed the Funds' distress and its inability to honor its investors' redemption requests.

89. Defendants also failed to disclose that the methodology used for valuing Stillwater's assets was deeply flawed, according to an SEC investigation first disclosed by Forbes columnist Neil Weinberg in early 2011, shortly before the NYSE halted trading in Gerova securities.

90. According to a June 1, 2010 letter from the SEC to Stillwater's counsel (the "Wells Notice"), the staff of the SEC was "considering recommending that the Commission institute enforcement action against your client . . . based upon allegations that, among other things, [an executive participated] in Stillwater's dissemination of materially misleading statements regarding the Stillwater Asset Backed Funds ('the Funds') to both existing and prospective investors in the Funds." Ex. D. The Wells Notice cited the specific matters at issue as being, *inter alia*, (i) that the Stillwater executive "failed to disclose that . . . Stillwater's

determination of whether a loan was 'performing' was based not on whether the borrower made required payments of principal and interest, but rather on [a] determination of whether the Funds would eventually be repaid" and (ii) that disclosures with respect to average maturity dates "failed to disclose that . . . Stillwater calculated that average maturity using only the original intended term of each loan, and did not account for loan extensions or loans that had passed their original maturity dates . . . ." *Id.*

91. In addition, other substantial deficiencies in valuation methodology casting serious doubt on the true worth of the Stillwater assets were not disclosed to investors. According to the Dalrymple Report, PricewaterhouseCoopers ("PwC") performed an audit of Stillwater for a major Stillwater investor, the Matrix Group, and concluded that they could not issue an audit opinion for Stillwater as of year-end 2009, based on insufficient audit evidence and doubt as to Stillwater's solvency. Ex. F, at 6-8. The Dalrymple Report further states that PwC was unable to obtain sufficient evidence concerning $136 million of 2009 year-end fair value; recoverability of $20.5 million of receivable balances; or ability to repay $97 million in debt. *Id.* at 6-8. The lack of confirmatory information was so troubling that PwC actually issued an adverse opinion on the Stillwater Funds' financial statements for 2008. Neither the absence of confirmatory information cited by PwC, nor PwC's refusal to issue an audit opinion, were disclosed until cited in the Dalrymple Report.

92. As further stated in the Dalrymple Report (Ex. F, at 6-8):

> It is impossible for us to understand why management purchased these assets given the uncertainty around value. It is doubly mysterious . . . why GFC would pay 90% for the Matrix assets for which Stillwater's own auditors refused to sign an audit.

93. By Doueck's own statement, the Stillwater assets had been valued at a substantially lower amount for purposes of Stillwater investor redemptions completed just weeks

earlier – in mid-December 2009. In the declaration filed in the *Goldberg* action, Doueck explained that "[o]n December 18, 2009, Stillwater issued 'Distributions-in-Kind' (the 'DIKs') to satisfy the redemption requests of certain investors in the Offshore Funds. Stillwater and the Offshore Fund's independent directors determined to value the Funds' assets that were included in the DIKs at the mid-point of the Houlihan Smith fair value range for each asset." *Goldberg v. GEROVA Fin. Group, Ltd.*, No. 1:11 Civ. 7107 (SAS), doc. no. 73, Doueck Aff. ¶ 37. Such DIKs were issued by Stillwater because they were unable to satisfy investor redemption requests in cash.

94. By contrast, "when the Gerova Deal closed in January 2010, the Funds' assets were valued for that deal at the high-end of the Houlihan Smith valuation, as provided for in the ASSAC Purchase Agreement." *Id.* ¶ 38. The spread between the high-end and mid-point valuations was, according to Doueck, approximately $87 million. As such, Stillwater valued the Funds at $454 million for the DIKs. *Id.* ¶ 40.

95. Under U.S. generally accepted accounting principles ("GAAP"), the price used by Stillwater itself to value its assets for purposes of redemptions on December 18, 2009 constituted a level 1 valuation under SFAS 157, and as such could not be replaced by an alternate valuation. Thus, Gerova and Stillwater simply had no basis under GAAP to value the Funds at the high end of the Houghlian Smith range for purposes of the January 20 Transactions. Consistent with GAAP, this lower valuation was material to Gerova investors, and failure to disclose it was a material omission. According to Doueck, as a result of this valuation discrepancy, Marcum LLP, the auditor selected by Stillwater to perform an independent audit of the valuation, refused to sign off on the $514.25 million valuation as compliant with GAAP. *Id.* ¶ 39.

E. Gerova Transferred Assets to an Entity Controlled by Affiliated Individuals Involved in Prior Investment Frauds

96. On May 26, 2010, the Company entered into a real estate joint venture, Net Five Holdings, LLC ("Net Five"), to which it contributed "all of the owned real estate properties and real estate loan assets acquired in connection with the January 2010 acquisition of the Stillwater Funds" in exchange for a minority interest in the venture. 2009 Form 20-F/A, at 45. Among the parties owning and managing Net Five were Robert Willison and Jason Galanis. *See* Gerova Form 6-K filed Feb. 10, 2011; Gerova Form 6-K filed June 2, 2010, at 22; 2009 Form 20-F/A.

97. According to sources cited in the Dalrymple Report, Willison previously handled investor relations for an entity named Westmoore Capital ("Westmoore"). Ex. F, at 10, 17. Westmoore was a Ponzi scheme halted in mid-2010 by the SEC. *See* SEC Litigation Release No. 21561, June 17, 2010, *available at* http://www.sec.gov/litigation/litreleases/2010/lr21561.htm.

98. Galanis has personally been the subject of an enforcement action by the SEC. In May 2007, the SEC announced it settled an action against Galanis for engaging in accounting fraud and financial reporting violations at Penthouse International, Inc. Galanis was ordered to pay civil penalties of $60,000 and was barred for a period of five years from serving as an officer or director of any public company. *See* SEC Litigation Release No. 20110, May 10, 2007, *available at* http://www.sec.gov/litigation/litreleases/2007/lr20110.htm.

99. In December 2010, Galanis was also cited extensively for his role in an investment fraud in a complaint by former Red Hat, Inc. (NYSE:RHT) Chairman and CEO Matthew Szulik ("Szulik"). *See Szulik v. TAG Virgin Islands, Inc.*, No. 5:10-cv-00585-D (E.D.N.C.), doc. no. 1, Complaint ¶ 4.

100. The *Szulik* complaint also references news reports stating that Galanis has been associated in business with his father, John Galanis – a white-collar felon who was sentenced to 27 years in prison for racketeering activities and who disappeared in 2001 while on a prison work-release program. *Id.* ¶ 64.

101. Galanis' involvement with Gerova apparently stemmed from his affiliation with Defendant van Roon, one of Gerova's original sponsors and the controlling shareholder of failed penny-stock company Fund.com – which had agreed to acquire the manager of the Wimbledon Funds shortly before they were acquired by Gerova. *See* ¶¶ 77-81 above. According to a filing with the Nevada Secretary of State, Galanis is the President, Secretary, Treasurer and sole Director of the van Roon entity that controlled Fund.com – Equities Media. *See* http://nvsos.gov/sosentitysearch/CorpSearch.aspx → Equities Media Acquisition Corp Inc.

F. Gerova's Financial Distress

102. In addition to the extensive self-dealing underlying the January 20 Transactions and substantial insider trading detailed above, Gerova's financial distress and apparent insolvency from the closing of the January 20 Transactions provide further strong evidence that Gerova deceived investors during the Class Period, and that its purported business model was a non-starter.

103. In the January Investor Presentation, Gerova detailed its business strategy and operating model and presented projected financial statements, including a pro-forma balance sheet and income statements for 2010 through 2014. The balance sheet reflected total assets of $1.52 billion, including cash of $104 million. The income statement reflected net income for 2010 of $139 million on revenues of $440 million. Ex. B, at 16, 18.

104. In the May Investor Presentation, the Company again detailed its business strategy and operating model, and referenced its "consolidated assets of approximately $1.42

billion . . . , as well as control of a profitable reinsurance company." Ex. C, at 5, 12. While touting its business model, the May Investor Presentation omitted actual or projected financial statements. In fact, subsequent disclosures establish that the Company at the time was in dire financial condition.

105. In his declaration in the *Goldberg* action, Stillwater principal Jack Doueck makes perhaps the most significant admission regarding Gerova's financial distress. Addressing allegations of mismanagement by the plaintiffs there, he states (Ex. G ¶ 43 (emphasis added)):

> To my knowledge, Gerova's assets are being actively managed, and not neglected or mismanaged. Stillwater has been managing those former Fund assets for which it is still the investment manager as best it can in a very difficult and challenging economic environment. Those assets include the law firm and life settlement loans. For example, I know that Gerova injected cash into some of the life settlement loans to ensure that the insurance policies did not lapse. ***While many of the life settlement policies have lapsed since the merger, the lapses of these policies occurred, not as a result of Stillwater's neglect or mismanagement, but due to the fact that Gerova simply did not have cash available to pay the premiums.***

106. Thus, Gerova's financial condition was so severe that it was unable to make the payments necessary to preserve the value of a major class of its investments.

107. The materiality of the Class Period omissions is further established by Gerova's near-total lack of resources as of early 2011.

108. According to a June 7, 2011 news article appearing on the website of a Bermuda newspaper, *The Royal Gazette*, the Company "has been served notice for the termination of its lease after failing to pay $49,083.40 in rent and service charges. The company, whose offices are located on the fifth floor of Cumberland House, also owes $2,719.36 in land tax and was served with the notice by maintenance managers Kitson & Company's lawyers King & Associates on behalf of the building's owners Park Properties last month." Alex Wright,

Troubled Gerova Hit with Lease Termination Notice, available at http://www.royalgazette.com/article/20110607/BUSINESS04/706079990/0/NEWS.

109. The "fifth floor of Cumberland House" was the address of Gerova's principal executive offices. 2009 Form 20-F/A (cover page).

110. Gerova was also the subject of a lawsuit by an entity affiliated with its former CEO, Manley, in which Manley was granted summary judgment in May 2011. *See Marseilles Capital, LLC v. GEROVA Financial Group, Ltd.*, No. 10-81294-CIV (S.D. Fla.), doc. no. 48. Instructively, shortly before the entry of summary judgment, Gerova's counsel sought to withdraw on the grounds of non-payment of fees. *See Marseilles Capital*, doc. no. 39.

111. In another case pending in the Southern District of New York, Gerova was sued by the Katten Muchin law firm for nonpayment of $189,468 in fees. *Katten Muchin Rosenman LLP v. GEROVA Financial Group Ltd.*, No. 11-cv-867 (PGG) (S.D.N.Y.).

G. The Rapid Resignations of Non-Insiders and Termination of Third-Party Deals

112. In the thirteen months between the closing of the January 20 Transactions and the halt of trading on February 23, 2011, Gerova was the subject of a series of rapid resignations and deal terminations by non-insider executives and counterparties.

113. First, Marshall Manley, who was appointed CEO and Chairman in January 2010, resigned approximately three months later. Gerova Form 6-K, filed Apr. 13, 2010. For his three months of service, he was awarded an unprecedented $4 million severance package. The Company proffered no explanation for such an outsize package.

114. Second, former U.S. Secretary of Commerce Mickey Kantor was prominently featured in Gerova's public disclosures surrounding the January 20 Transactions, but his name was then quietly dropped, with the Company never disclosing or acknowledging his departure.

115. Third, Gerova prominently announced Stuart LR Solomons as Gerova's new Managing Director in its May Investor Presentation, but he then resigned within two months of joining the Company. Ex. C, at 16; 2009 Form 20-F/A, at 54.

116. Fourth, Keith R. Harris, who the Company reported on December 17, 2010 would become Gerova's Chairman and CEO on January 1, 2011, later elected to "defer his appointment" and did not ultimately assume the position. Gerova Form 6-K, filed Dec. 7, 2010.

117. Fifth, Dennis L. Pelino, whose appointment as President and Chairman of the Gerova board of directors was announced by the Company on February 10, 2011 "subject to confirmation of certain conditions." Such conditions apparently never materialized, as a few days later he "withdrew his name from consideration as the Chairman and President of the Company." Gerova Form 6-K, filed Feb. 10, 2011; Gerova Form 6-K, filed Feb. 15, 2011.

118. Relatedly, Gerova failed to consummate a series of major transactions.

119. First, while it prominently discussed the acquisition of a reinsurance company named Northstar Group Holdings, Ltd. ("Northstar") in the January Proxy Statement and the January Investor Presentation, *see* Ex. B, at 8, 9, 23, 25; Ex. A, at i-vi, 4, 31-32, Gerova later failed to complete the Northstar acquisition – a fact it never directly disclosed. Instead, it obtained only the minority interest in Northstar previously held by the Stillwater Funds. 2009 Form 20-F/A, at 5.

120. Second, Gerova's planned mergers with Seymour Pierce Holdings Limited, a London-based investment and merchant banking firm, and Ticonderoga Securities LLC, a New York-based institutional broker dealer, were terminated in late February 2011.

121. In lieu of directors knowledgeable about Gerova's business or experienced in the turnaround of distressed firms, Gerova appears to now be under the control of an individual

without relevant experience, Eugene Scher ("Scher"). Scher has submitted sworn statements on behalf of Gerova in the *Goldberg* litigation and in a state court case brought on behalf of former Stillwater investors, *Eden Rock Finance Fund, L.P. v. GEROVA Financial Group, Ltd.*, No. 650613/11 (N.Y. Sup. Ct. N.Y. County), and has held himself out to be the Chief Operating Officer of Gerova and a member of its Board. The Company has provided no disclosure regarding Scher, or how he came to be an officer and director of Gerova.

122. Scher, reported to be both a director and the Company's Chief Operating Officer, has operated a number of small businesses in the marketing field, and has been the subject of numerous negative reports by the Better Business Bureau and consumer-oriented websites. *See* http://www.la.bbb.org/business-reviews/Lead-Sales/Kingsbridge-Marketing-Partners-Inc-in-Calabasas-CA-100054393; http://www.la.bbb.org/business-reviews/Marketing-Consulting-Services/Modern-Vision-Media-in-Calabasas-CA-100089931; http://www.la.bbb.org/business-reviews/Prize-Promotion-Services/HollywoodPartnerscom-in-Los-Angeles-CA-13143458; http://www.scam.com/showthread.php?t=54068; http://www.ripoffreport.com/directory/Sharewell-Group.aspx; http://www.ripoffreport.com/internet-marketing-companies/sharewell-group-mode/sharewell-group-modern-visio-4c43z.htm.

123. In addition, a Form 8-K issued by Cascade Technologies Corp. ("Cascade") on June 16, 2011 announced Scher's appointment as a Director and Chief Operating Officer of Cascade – and cited Scher's affiliation with Gerova, which it falsely described as "an NYSE publicly listed financial service company . . . ." Cascade is a penny-stock company that has lost 84% of its market capitalization since August 2010 and currently trades for $0.0185 per share.

MATERIALLY MISLEADING STATEMENTS AND OMISSIONS

124. As detailed below, throughout the Class Period, Defendants omitted the following material facts from Gerova's public statements:

(a) contrary to the projected financial statements presented in January 2010, the Company was unprofitable and in dire financial condition during the Class Period (*see* ¶¶ 102-111 above);

(b) the Stillwater Funds were deeply distressed at the time they were acquired by Gerova, the Funds could not honor redemption requests in cash, and that the $541.25 million valuation assigned to the Stillwater assets was premised on highly questionable assumptions and was substantially higher than the valuation that the Company itself assigned to the Stillwater assets just weeks earlier (*see* ¶¶ 82-95 above);

(c) the Amalphis/Allied Provident Transaction was a related-party transaction with an entity secretly controlled by Gerova insiders;

(d) the Wimbledon Transaction was a related-party transaction with an entity secretly controlled by Gerova insiders;

(e) Gerova was the subject of a market manipulation scheme that allowed insiders to sell the Company's securities at inflated prices (*see* ¶¶ 62-69 above);

(f) shares were secretly introduced into the market by or with the approval of Company insiders, increasing the Company's public float from the approximately 300,000 shares trading immediately after January 20 Transactions, to approximately 11.8 million shares (based on the shares outstanding that the Company reported as of November 22, 2010) (*see* ¶¶ 62-69 above); and

(g) Net Five, the entity to which Gerova transferred the substantial real estate assets it acquired from Stillwater, was partially owned and/or controlled by two individuals, Robert Willison and Jason Galanis, who have been accused of involvement in other financial frauds (*see* ¶ 6 above).

The January 7, 2011 Proxy Statement

125. On January 7, 2011, Gerova's Board issued the January Proxy Statement seeking shareholder approval for the proposed January 2010 Transactions. At the time that the January Proxy Statement was issued, Defendants Hlavsa, Hirst, Laslop and van Roon were Directors of the Company. Regarding the transactions, the Company stated, in relevant part:

> ***Our business plan contemplates the acquisition of performing but largely illiquid financial assets at discounted and appraised net asset values, and contributing such assets to our insurance company subsidiaries as additional regulatory capital.***
>
> ****
>
> Our 'proof of concept' is that we have, within the past two months, been able to executed agreements for the acquisition, through merger and asset purchase, of nine pools of financial assets from Stillwater and Weston, two established hedge fund managers, totaling in excess of $650.0 million. These assets will be contributed as regulatory capital to the insurance subsidiaries.
>
> ****
>
> Our board of directors concluded that the Transactions are fair to, and in the best interests of, the Company and that the consideration to be paid in the Transactions is fair to the Company. The Company's management conducted a due diligence review of the Targets that included an industry analysis, an evaluation of the existing business and operations of the Targets, a valuation analysis and financial projections in order to enable the board of directors to evaluate the business and financial condition and prospects of the Targets.
>
> ****
>
> ***The fair market value of the Targets was determined by our board of directors based upon standards generally accepted by the financial community, such as actual and potential revenues, investment returns, net asset values, earnings and cash flow***. We did not obtain an opinion from an investment banking firm or appraiser as to the fair market value of the Targets or an opinion as to the fairness from a financial point of view to ASSAC or our shareholders of such acquisitions. ***Instead, our board of directors***

> ***independently determined that the Targets have sufficient fair market value.***

Ex. A at 1, 51-53 (emphases added).

126. With respect to the Stillwater Transaction, the Company stated, in relevant part:

> The estimated total net asset value (or "NAV") of all of the Stillwater Funds as of December 31, 2009, is expected to be approximately $588 million. The pro-forma financial statements assume that the appraised value of the net assets acquired will be approximately $541 million.
>
> ****
>
> ASSC will simultaneously acquire approximately $588 million of the net assets of certain funds (comprised of certain asset backed lending funds, real estate funds and hedge funds), subject to appraisal, managed by Stillwater Capital Partners, Inc. and its affiliates in exchange for 541,275 of ASSAC Preferred Shares (the "Stillwater Asset Purchase"), which shares are assumed to be converted into 72,170,000 Ordinary Shares of ASSAC based on an assumed appraised net value of approximately $541.3 million.

Ex. A, at P-10, P-2.

127. The $541 million valuation attributed to the Stillwater Funds was provided by the Stillwater Defendants to Gerova, and independently verified by Gerova's Board.

128. Regarding the Amalphis/Allied Provident Transaction, the January Proxy Statement stated that the Company would exchange 57,000 Preferred Shares in consideration for an 81.5% interest in the company, thereby valuing Gerova's stake in the Company at $57 million. The January Proxy Statement further disclosed that Amalphis would be acquired from Rineon.

129. With respect to the Wimbledon Transaction, the January Proxy Statement stated the Wimbledon Funds were managed by Weston, and would be continued to be managed by Weston after the transaction. According to the January Proxy Statement, the Wimbledon Funds invested in "secured and unsecured loans and convertible and non-convertible notes and other

debt instruments." Ex. A, at 3. The January Proxy Statement valued the Wimbledon Funds at $114 million.

130. The January Proxy Statement made the following representation regarding related party transactions:

> When you consider the recommendation of our board of directors that you vote in favor of adoption of the Acquisition Proposal, you should keep in mind that our directors and executive officers have interests in the Transactions that are different from, or in addition to, your interest as a shareholder. These interests include the matters set forth below.

Ex. A, at 9. None of the listed related party transactions referenced the Wimbledon or Amalphis/Allied Provident Transactions.

131. The foregoing statements omitted material facts and information for the reasons set forth in Par. 124, above.

The January 2010 Investor Presentation

132. In the January Investor Presentation, Gerova detailed its business strategy and operating model and presented projected financial statements, including a pro-forma balance sheet and income statements for 2010 through 2014. The balance sheet reflected total assets of $1.52 billion, including cash of $104 million. The income statement reflected net income for 2010 of $139 million on revenues of $440 million. Ex. B, at 16, 18.

133. The foregoing statements omitted material facts and information for the reasons set forth in Par. 124, above.

The May 2010 Investor Presentation

134. As referenced above, on May 13, 2010, the Company filed a Form 6-K announcing the conversion of the 742,250 preferred shares issued as part of the January 20 Transactions into 123.7 million ordinary shares. The Form 6-K included the May 2010 Investor Presentation.

135. With respect to the January 2010 Transactions, the May Investor Presentation made nearly identical representations as to the acquisitions as set forth in ¶¶ 125-129, with the exception that such presentation valued the Stillwater assets at $535 million, and not the previously stated $541 million.

136. Regarding the Company's newfound business model, the May Investor Presentation touted the Company as a sophisticated "international reinsurance company," with a "niche" business of using the "unquoted" assets purchased in the January 20 Transactions as regulatory capital for its insurance subsidiaries. In the Company's own words:

- Gerova Financial Group is an international reinsurance company currently focused on the life and annuity reinsurance markets, in addition to niche property and casualty business

- We were established in January 2010 explicitly to take advantage of opportunities arising from financial market dislocations, including aggregating permanent regulatory capital by exchanging our publicly traded stock for performing unquoted financial assets at discounts to their intrinsic value

- We successfully executed nine simultaneous acquisitions from three selling parties resulting in our acquisition of consolidated assets of approximately $1.42 billion and approximately $720 million in new equity capital (subject to audit and appraisal adjustments), as well as control of a profitable reinsurance company

- We believe that our business model of acquiring new equity capital by exchanging our stock for unquoted financial assets and utilizing these financial assets as regulatory capital, where permitted, differentiates us from other insurance carriers

- We also believe that this capital structure has the advantage of potentially achieving a superior return on equity arising from the relatively large amount of assets that insurance carriers are permitted to take on balance sheet relative to their equity capital

- Hundreds of billions in 'stranded' assets continue to persist on global balance sheets post-crisis during the great credit unwind, and our differentiated business model puts those financial assets back to work without inefficient or damaging liquidation

Ex. C, at 5.

137. The foregoing statements omitted material facts and information for the reasons set forth in Par. 124, above.

The June 2, 2010 Form 20-F

138. On June 2, 2010, Gerova filed its Form 20-F for the year ended December 31, 2009. The Form 20-F was signed by Defendant Hirst. With respect to the January 20 Transactions, the Company stated, in relevant part:

> Our goal is to take advantage of opportunities arising from financial market dislocations, including by aggregating permanent regulatory capital by exchanging our shares for performing assets at discounts to their intrinsic value. We believe that our business model of acquiring new equity capital by exchanging our shares for unquoted financial assets and utilizing these financial assets as regulatory capital, where permitted, differentiates us from other insurance carriers.
>
> ****
>
> On January 20, 2010, the Company consummated the Business Combinations pursuant to which it acquired (a) an 81.5% interest in Amalphis, the parent company of Allied Provident, and (b) what was estimated to be approximately $655 million of the net assets of the Stillwater Funds and the Wimbledon Funds (subject to assumed liabilities as well as valuation and audit adjustments), in exchange for the issuance of 742,250 Preferred Shares.

Gerova Form 20-F, filed June 2, 2010, at 6, 65.

139. With respect to the Stillwater Transaction, the Company stated, in relevant part:

> As part of our January 2010 acquisition of the assets and liabilities of various pooled investment vehicles (the Stillwater Funds) then managed by Stillwater, the purchase price for those assets was based upon approximately ***$541.25 million of estimated net asset values as of December 31, 2009 (the "Estimated Asset Values") which were provided to us by Stillwater***. Such Estimated Asset Values are subject to a post-acquisition adjustment based upon an

> independent audit of approximately 90% of those assets. Although the independent audit has not yet been completed, such audit may conclude that the final net asset values of the Stillwater Funds are materially lower than the Estimated Asset Value.

Gerova Form 20-F, filed June 2, 2010, at 8 (emphasis added).

140. Regarding the Amalphis/Allied Provident Transaction, the Form 20-F stated, in relevant part:

> In January 2010, we acquired an 81.5% interest in Amalphis Group Inc., the parent company of Allied Provident Insurance Inc., a specialty insurance company domiciled in Barbados.
>
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>
> Consideration paid for the business combination is as follows:
>
> (a) 57,000 Series A Preferred Shares in consideration of shares in Amalphis equal to an 81.5% interest in the equity of Amalphis, and 30,000 Series A Preferred Shares for other assets contributed to Allied Provident (a subsidiary of Amalphis), which shares are to be converted into 11.6 million Ordinary Shares at $7.50 and are valued at approximately $87,000,000.

Gerova Form 20-F, filed June 2, 2010, at F-11, F-16.

141. With respect to the Wimbledon Transaction, the Company represented that:

> The Wimbledon Funds were master funds in a master-feeder structure which invested in investment pools managed by investment managers, such as secured and unsecured loans and convertible and non-convertible notes and other debt instruments, including investments coupled with warrants or other equity securities issued by small capitalization and private companies.

Gerova Form 20-F, filed June 2, 2010, at 66.

The Form 20-F further represented that it had entered into a management agreement with Weston whereby "Weston agreed to manage such assets in consideration for the payment of certain management and incentive fees." Gerova Form 20-F, filed June 2, 2010, at 6.

142. Item 7 of the Form 20-F contained a listing of "Related Party Transactions" involving Gerova. Neither the Amalphis/Allied Provident nor Wimbledon Transactions were listed as involving related parties.

143. With respect to the Net Five transaction, the Form 20-F stated, in relevant part:

> On May 26, 2010, we entered into a real estate joint venture transaction with Planet Five Development Group, LLC ("Planet Five") and Robert V. Willison. Planet Five and Mr. Willison (collectively, the "Operating Members") formed with us a new Florida limited liability company called Net Five Holdings, LLC (the "JV Company"). We intend to contribute to the JV Company all of the owned real estate properties and real estate loan assets we acquired in connection with our January 2010 acquisition of the Stillwater Funds, and Planet Five and its affiliates will contribute to the JV Company not less than $100.0 million in net asset value of seven income producing operating properties and four undeveloped commercial and residential properties located in Florida (collectively, the "Contributed Assets").

Gerova Form 20-F, filed June 2, 2010, at 45.

144. The Form 20-F contained certifications executed by defendants Hirst and Hlavsa pursuant to the Sarbanes-Oxley Act of 2002 ("Sarbanes Oxley"), representing that the financial information contained therein was accurate, and that they had "designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting," and that they had identified "[a]ny fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting" (the "Sarbanes-Oxley Certifications"). Gerova Form 20-F, filed June 2, 2010, at Exhibits 12.A, 12.B.

145. The foregoing statements omitted material facts and information for the reasons set forth in Pars. 124, above.

The June 16, 2010 Form 20-F/A

146. On June 16, 2010, Gerova filed a Form 20-F/A for the fiscal year ended December 31, 2009, making certain amendments to its previously filed Form 20-F. The Form 20-F/A was signed by Defendant Bianco.

147. With respect to the January 20 Transactions, the Company stated, in relevant part:

> Our goal is to take advantage of opportunities arising from financial market dislocations, including by aggregating permanent regulatory capital by exchanging our shares for performing assets at discounts to their intrinsic value. We believe that our business model of acquiring new equity capital by exchanging our shares for unquoted financial assets and utilizing these financial assets as regulatory capital, where permitted, differentiates us from other insurance carriers.
>
> ****
>
> On January 20, 2010, the Company consummated the Business Combinations pursuant to which it acquired (a) an 81.5% interest in Amalphis, the parent company of Allied Provident, and (b) what was estimated to be approximately $655 million of the net assets of the Stillwater Funds and the Wimbledon Funds (subject to assumed liabilities as well as valuation and audit adjustments), in exchange for the issuance of 742,250 Preferred Shares.

2009 Form 20-F/A, at 6, 67.

148. With respect to the Stillwater Transaction, the Company stated, in relevant part:

> As part of our January 2010 acquisition of the assets and liabilities of various pooled investment vehicles (the Stillwater Funds) then managed by Stillwater, the purchase price for those assets was based upon approximately ***$541.25 million of estimated net asset values as of December 31, 2009 (the "Estimated Asset Values") which were provided to us by Stillwater***. Such Estimated Asset Values are subject to a post-acquisition adjustment based upon an independent audit of approximately 90% of those assets. Although the independent audit has not yet been completed, such audit may conclude that the final net asset values of the Stillwater Funds are materially lower than the Estimated Asset Value.

2009 Form 20-F/A (emphasis added).

149. Regarding the Amalphis/Allied Provident Transaction, the Form 20-F/A stated, in relevant part:

> In January 2010, we acquired an 81.5% interest in Amalphis Group Inc., the parent company of Allied Provident Insurance Inc., a specialty insurance company domiciled in Barbados.
>
> ****
>
> Consideration paid for the business combination is as follows:
>
> (a) 57,000 Series A Preferred Shares in consideration of shares in Amalphis equal to an 81.5% interest in the equity of Amalphis, and 30,000 Series A Preferred Shares for other assets contributed to Allied Provident (a subsidiary of Amalphis), which shares are to be converted into 11.6 million Ordinary Shares at $7.50 and are valued at approximately $87,000,000.

2009 Form 20-F/A, at 5, F-16.

150. With respect to the Wimbledon Transaction, the Company represented that:

> The Wimbledon Funds were master funds in a master-feeder structure which invested in investment pools managed by investment managers, such as secured and unsecured loans and convertible and non-convertible notes and other debt instruments, including investments coupled with warrants or other equity securities issued by small capitalization and private companies.

2009 Form 20-F/A, at 67.

151. The Form 20-F/A further represented that it had entered into a management agreement with Weston whereby "Weston agreed to manage such assets in consideration for the payment of certain management and incentive fees." 2009 Form 20-F/A, at 6.

152. Regarding the Net Five transaction, the Form 20-F/A stated:

> On May 26, 2010, we entered into a real estate joint venture transaction with Planet Five Development Group, LLC ("Planet Five") and Robert V. Willison. Planet Five and Mr. Willison (collectively, the "Operating Members") formed with us a new Florida limited liability company called Net Five Holdings, LLC (the "JV Company"). We intend to contribute to the JV Company all of the owned real estate properties and real estate loan assets we acquired in connection with our January 2010 acquisition of the

> Stillwater Funds, and Planet Five and its affiliates will contribute to the JV Company not less than $100.0 million in net asset value of seven income producing operating properties and four undeveloped commercial and residential properties located in Florida (collectively, the "Contributed Assets"). We will own a 49% Class A equity percentage interest in the JV Company, Planet Five will own a 38% Class A equity percentage interest, Mr. Willison and a third party will own in the aggregate a 12% Class B equity percentage interest in the JV Company. The Class B equity interests only share in earning and profits of the JV Company after each of Gerova and Planet Five recoup in cash the net asset values of the respective properties contributed by them to the JV Company.
>
> ****
>
> Messrs. Paul Rohan and Gregory Laubach, principal owners of Planet Five, and Robert Willison will constitute a majority of the members of the board of managers of the JV Company.

2009 Form 20-F/A, at 45.

153. Note 8 of the Form 20-F/A contained a listing of "Relating Party Transactions" involving Gerova and its officers and directors. Neither the Amalphis/Allied Provident nor Wimbledon Transactions were included in the listing.

154. The Form 20-F/A contained Sarbanes-Oxley certifications executed by defendants Bianco (as the newly installed Chief Executive Officer) and Hlvasa representing that the financial information contained therein was accurate, and that they had "designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting," and that they had identified "Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting." 2009 Form 20-F/A, at Exhibits 12.A, 12.B.

155. The foregoing statements omitted material facts and information for the reasons set forth in Par. 124, above.

THE FRAUD IS REVEALED

156. On January 10, 2011, a short seller firm named Dalrymple Finance LLC issued a report (the "Dalrymple Report") that detailed an array of related party transactions, cited insiders' relationships to other failed companies and investment vehicles, and questioned the valuation of the Company's assets. Ex. F. The Dalrymple Report asserted that the Stillwater assets had been grossly overvalued and concluded that Gerova "has many hallmarks of a classic fraud." Over the next two trading days, Gerova's ordinary shares declined from $28.04 to $26.25, or 6.4%, its warrants declined 41.9% and its units declined 13%.

157. On January 18, 2011, before the market opened, the Company responded to the Dalrymple Report, announcing it had hired Kroll to investigate Dalrymple and other unnamed "short-sellers." This had the unintended consequence of further publicizing the earlier reports about the Company, and Gerova's ordinary shares declined 19.4%, from $27.30 to $22.00 over the next three trading days. Over the same period, its warrants declined 8.3% and its units declined 11.2%.

158. On February 10, 2011, after the close of the market, the Company announced the resignation of its acting CEO, Joseph Bianco, the resignation of three other directors, the decision of Harris to "defer his appointment" as Chairman and CEO, and the appointment of Dennis L. Pelino as President and Chairman of the Company's board of directors. Gerova Form 6-K, filed Feb. 10, 2011. The Company also announced "the resignation of Dr. Gary Hirst as Chairman and President . . . ." Gerova Form 6-K, filed Feb. 10, 2011. Over the next three trading days, Gerova's ordinary shares declined 40.8%, from $15.70 to $9.30, its warrants declined 25% and its units declined 20.2%.

159. In the Company's final public announcement, after the close of the market on February 15, 2011, it reported that Pelino had withdrawn his name from consideration. Over the

next trading day, Gerova's ordinary shares declined an additional 31.3%, from $9.30 to $6.39, its warrants declined 13.4% and its units declined 20.2%.

160. The NYSE halted trading in Gerova the following week, on February 23, 2011. The last trading price of Gerova prior to the trading halt was $5.28. On May 9, the Company announced its "voluntary" delisting, and on June 15, 2011, announced that it would "go dark" – terminate the registration of its securities and reporting obligations under the Exchange Act. Gerova Form 25, filed May 9, 2011; Gerova Form 15F-12B, filed June 15, 2011. Gerova securities subsequently began trading over-the-counter; the last quoted price for the Company's ordinary shares as of October 25 was $0.08.

CLASS ACTION ALLEGATIONS

161. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all persons who purchased or otherwise acquired Gerova securities in open market transactions during the Class Period (the "Class"); and were damaged thereby. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns, and any entity in which Defendants have or had a controlling interest.

162. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Gerova securities were actively traded on the NYSE or NYSE Amex Exchange. While the exact number of Class members is unknown to Plaintiffs at this time and can be ascertained only through appropriate discovery, Plaintiffs believe that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Gerova or its

transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

163. Plaintiffs' claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law, as complained of herein.

164. Plaintiffs will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation. Plaintiffs have no interests antagonistic to or in conflict with those of the Class.

165. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Gerova;

(c) whether the Individual Defendants caused Gerova to issue false and misleading financial statements during the Class Period;

(d) whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;

(e) whether the prices of Gerova securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and

(f) whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

166. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

167. Plaintiffs will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

(a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

(b) the omissions and misrepresentations were material;

(c) Gerova securities traded in efficient markets;

(d) the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;

(e) the Company traded on the NYSE Amex Exchange and later, the NYSE;

(f) the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and

(g) Plaintiffs and other members of the Class purchased and/or sold Gerova securities between the time Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

168. Based upon the foregoing, Plaintiffs and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

169. Alternatively, Plaintiffs and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

CLAIMS FOR RELIEF

COUNT I

For Violations of Section 10(b) of the Exchange Act
and Rule 10b-5 Promulgated Thereunder
(Against the Gerova Defendants)

170. Plaintiffs repeat and reallege each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

171. This Count is asserted against the Gerova Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

172. During the Class Period, the Gerova Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiffs and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including

Plaintiffs and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Gerova securities; and (iii) cause Plaintiffs and other members of the Class to purchase Gerova securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

173. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the Gerova Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for Gerova securities. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about Gerova's finances and business prospects.

174. By virtue of their positions at Gerova, the Gerova Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiffs and the other members of the Class, or, in the alternative, the Gerova Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to such Defendants. Said acts and omissions of Defendants were committed willfully or with reckless disregard for the truth. In addition, each Defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

175. The Individual Gerova Defendants were personally motivated to make false statements and omit material information necessary to make the statements not misleading in order to personally benefit from the sale of Gerova securities from their personal portfolios.

176. Information showing that Defendants acted knowingly or with reckless disregard for the truth is peculiarly within Defendants' knowledge and control. As the senior managers and/or directors of Gerova, the Individual Gerova Defendants had knowledge of the details of Gerova internal affairs.

177. The Gerova Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Gerova Defendants were able to and did, directly or indirectly, control the content of the statements of Gerova. As officers and/or directors of a publicly-held company, the Individual Gerova Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Gerova's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of Gerova securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning Gerova's business and financial condition which were concealed by the Gerova Defendants, Plaintiffs and the other members of the Class purchased Gerova securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities, and/or upon statements disseminated by Defendants, and were damaged thereby.

178. During the Class Period, Gerova securities were traded on an active and efficient market. Plaintiffs and the other members of the Class, relying on the materially false and misleading statements described herein, which the Defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased shares of Gerova securities at prices artificially inflated by the Gerova Defendants' wrongful conduct. Had Plaintiffs and the other members of the Class known the truth, they would not have purchased said shares, or

would not have purchased them at the inflated prices that were paid. At the time of the purchases by Plaintiffs and the Class, the true value of Gerova securities was substantially lower than the prices paid by Plaintiffs and the other members of the Class. The market price of Gerova securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiffs and Class members.

179. By reason of the conduct alleged herein, the Gerova Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

180. As a direct and proximate result of the Gerova Defendants' wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

COUNT II

For Violations of Section 20(a) of the Exchange Act
(Against the Individual Gerova Defendants)

181. Plaintiffs repeat and reallege each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

182. During the Class Period, the Individual Gerova Defendants participated in the operation and management of Gerova, and conducted and participated, directly and indirectly, in the conduct of Gerova's business affairs. Because of their senior positions, they knew the adverse non-public information about Gerova's financial condition and the January 20 Transactions.

183. As officers and/or directors of a publicly owned company, the Individual Gerova Defendants had a duty to disseminate accurate and truthful information with respect to Gerova's

financial condition, as well as the January 20 Transactions, and to promptly correct any public statements issued by Gerova which had become materially false or misleading.

184. Because of their positions of control and authority as senior officers, the Individual Gerova Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Gerova disseminated in the marketplace during the Class Period concerning Gerova's financial condition and business prospects. Throughout the Class Period, the Individual Gerova Defendants exercised their power and authority to cause Gerova to engage in the wrongful acts complained of herein. The Individual Gerova Defendants therefore, were "controlling persons" of Gerova within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Gerova securities.

185. Each of the Individual Gerova Defendants, therefore, acted as a controlling person of Gerova. By reason of their senior management positions and/or being directors of Gerova, each of the Individual Gerova Defendants had the power to direct the actions of, and exercised the same to cause Gerova to engage in the unlawful acts and conduct complained of herein. Each of the Individual Gerova Defendants exercised control over the general operations of Gerova and possessed the power to control the specific activities which comprise the primary violations about which Plaintiffs and the other members of the Class complain.

186. By reason of the above conduct, the Individual Gerova Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Gerova.

COUNT III

For Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder (Against the Stillwater Defendants)

187. Plaintiffs repeat and reallege each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

188. This Count is asserted against the Stillwater Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

189. During the Class Period, the Stillwater Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiffs and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiffs and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Gerova securities; and (iii) cause Plaintiffs and other members of the Class to purchase Gerova securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

190. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the Stillwater Defendants made material misrepresentations and omissions regarding the valuation of the Stillwater funds, as well as their liquidity, which they knew would influence the market for Gerova securities. Such statements were materially false and misleading in that they failed to

disclose material adverse information and misrepresented the truth about the Stillwater Funds' finances and level of impairment.

191. By virtue of their positions at Stillwater, the Stillwater Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiffs and the other members of the Class, or, in the alternative, Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to Defendants. Said acts and omissions of Defendants were committed willfully or with reckless disregard for the truth. In addition, each Defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

192. Defendants were personally motivated to make false statements and omit material information necessary to make the statements not misleading in order to personally benefit from the sale of Stillwater Funds to Gerova, as well as the sale of Gerova securities from their personal portfolios.

193. Information showing that Defendants acted knowingly or with reckless disregard for the truth is peculiarly within Defendants' knowledge and control. As the senior managers and/or the investment managers of the Stillwater Funds, the Stillwater Defendants had knowledge of the details of the Stillwater Funds' internal affairs.

194. The Stillwater Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Stillwater Defendants were able to and did, directly or indirectly, control the content of the statements of Stillwater. As the officers and managers of the Stillwater Funds who knew that their valuation of

the Stillwater Funds would be relayed to Gerova's investors, the Stillwater Defendants had a duty to disseminate timely, accurate, and truthful information with respect to the Stillwater Funds' valuation and financial condition. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of Gerova securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning the Stillwater Funds' financial condition which were concealed by Defendants, Plaintiffs and the other members of the Class purchased Gerova securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities, and/or upon statements disseminated by Defendants, and were damaged thereby.

195. During the Class Period, Gerova securities were traded on an active and efficient market. Plaintiffs and the other members of the Class, relying on the materially false and misleading statements described herein, which the Defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased shares of Gerova securities at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiffs and the other members of the Class known the truth regarding the financial condition of the Stillwater assets, they would not have purchased said shares, or would not have purchased them at the inflated prices that were paid. At the time of the purchases by Plaintiffs and the Class, the true value of Gerova securities were substantially lower than the prices paid by Plaintiffs and the other members of the Class. The market price of Gerova securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiffs and Class members.

196. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

197. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

COUNT IV

For Violations of Section 20(a) of the Exchange Act (Against Defendants Doueck and Rudy)

198. Plaintiffs repeat and reallege each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

199. During the Class Period, Defendants Doueck and Rudy participated in the operation and management of the Stillwater Funds, and conducted and participated, directly and indirectly, in the conduct of Stillwaters' business affairs. Because of their positions as officers and managers of the Funds, they knew the adverse non-public information about the Stillwater Funds' financial condition and asset valuation.

200. Knowing that their statements regarding the Stillwater Funds' valuation would be disseminated to Gerova's investors, Defendants Doueck and Rudy had a duty to disseminate accurate and truthful information with respect to the Stillwater Funds' financial condition and value, and to promptly correct any public statements issued by Stillwater or Gerova regarding the Funds which had become materially false or misleading.

201. Because of their positions of control and authority as senior officers and managers of the Funds, Defendants Doueck and Rudy were able to, and did, control the contents of the various reports, and public statements which Gerova disseminated in the marketplace during the Class Period regarding the Stillwater Funds' financial condition and valuation. Throughout the Class Period, Defendants Doueck and Rudy exercised their power and authority to cause Stillwater to engage in the wrongful acts complained of herein. Defendants Doueck and Rudy

therefore, were "controlling persons" of Stillwater within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Gerova securities.

202. Each of Defendants Doueck and Rudy, therefore, acted as a controlling person of Stillwater. By reason of their positions as officers and managers of the Stillwater Funds, each of Defendants Doueck and Rudy had the power to direct the actions of, and exercised the same to cause Stillwater to engage in the unlawful acts and conduct complained of herein. Each of Defendants Doueck and Rudy exercised control over the general operations of Stillwater and possessed the power to control the specific activities with respect to Stillwater which comprise the violations about which Plaintiffs and the other members of the Class complain.

203. By reason of the above conduct, Defendants Doueck and Rudy are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Stillwater.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs demand judgment against Defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiffs as Class representatives;

B. Requiring Defendants to pay damages sustained by Plaintiffs and the Class by reason of the acts and transactions alleged herein;

C. Awarding Plaintiffs and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

D. Awarding such other and further relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiffs hereby demand trial by jury of all issues that may be so tried.

Dated: New York, New York
October 26, 2011

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